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STATE FOR EAP/CM-HABJAN, EAP/CM, EAP/PD-STOLTZ
STATE FOR OES DAS MIOTKE, OES/EGC, OES/ENV, AND OES/PCI
STATE FOR S/SECC-STERN, S/P-GREEN, EEB, AND ECA
STATE PASS TO CEQ SUTLEY
USDOE FOR PI/Sandalow
USDOC FOR MAC AND MAS
USDOC PASS USPTO FOR WU
EPA FOR INTERNATIONAL/MKASMAN/GIANNINI-SPOHN
NSC FOR LOI

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SUBJECT: BILATERAL WITH VICE PREMIER LI KEQIANG - COOPERATION AND CHALLENGES

SUMMARY

¶1. (SBU) Commerce Secretary Locke, Energy Secretary Chu, U.S. Trade Representative Kirk and U.S. Trade Development Administrator Zak met with Vice Premier Li Keqiang on November 18, 2009 at the Great Hall of the People, to discuss a broad range of bilateral issues including energy cooperation and economic challenges. The U.S. side congratulated China on progress to date on energy efficiency improvements and a range of other issues, stressing U.S. willingness and desire to continue strengthening cooperation. Vice Premier Li lauded the bilateral cooperation and highlighted many areas both sides agree must be addressed together such as climate change and clean energy. Li discussed how meeting these challenges is not only a matter of international responsibilities but is important for citizens in both countries. Symbolizing and strengthening the bilateral clean energy relationship, Li and other Chinese officials, and Locke, Chu, and Zak witnessed and in some cases signed eight agreements at the conclusion of the bilateral meetings. END
SUMMARY.

¶2. (SBU) Vice Premier Li opened the meeting, noting that he had met Secretary Locke and Chu on their previous trips to China, and had

also met Ambassador Kirk and Director Zak as well. He described the gathering as one of old and new friends, welcoming everyone on behalf of the Chinese people and government. He commented that the frequency of high-level meetings was an indication of the broad consensus on global energy and trade issues, a development Vice Premier Li found very gratifying. Referring to the meeting between Presidents Obama and Hu earlier in the day, during which the two leaders reached broad consensus on the importance of the bilateral relationship, the Vice Premier characterized the discussion as constructive, positive and comprehensive. Vice Premier Li pointed out that the Presidents issued a joint statement defining concrete actions to further the partnership between our two countries, and expressed his hope these actions will help further expand our relationship.

U.S. PRAISES PROGRESS, HIGHLIGHTS CHALLENGES

¶3. (SBU) Commerce Secretary Gary Locke thanked Vice Premier Li for his hospitality, and explained that the United States and China have a long history of cooperation that dates back several hundred years. He noted the example of Chinese labor that assisted in completing the trans-continental railroad, also noting that rail technology, both high-speed and traditional, is an essential part of combating global warming. Secretary Locke also mentioned the long history of partnership between our two countries, noting collaboration on fighting imperialism and nuclear non-proliferation. Secretary Locke sited the common challenges that face both countries today, including providing health care and combating climate change. He suggested that both the United States and China have different areas of expertise that could benefit each other in solving these

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problems. Secretary Locke pointed to the signings scheduled to follow this meeting (eight signings, mostly focused on energy cooperation) as an indication of the cooperation and joint commitment to resolve common issues.

¶4. (SBU) Secretary Locke also highlighted the challenge that China faces in providing healthcare to its citizens, and mentioned that the United States is working to resolve similar issues at home. He hoped that China would be open to learning from the mistakes and successes of the United States in this area, and said that U.S. technology and business practices, including hospital systems, could be very helpful in this regard. Secretary Locke then ceded the floor to other members of the President's Cabinet for their comments.

¶5. (SBU) Energy Secretary Steven Chu noted that the energy-related agreements between the United States and China represented a big step forward, and demonstrated a shared commitment to combat climate-related problems. Secretary Chu was very encouraged by China's new commitment to carbon-intensity targets, and feels this represents good news for the world. Secretary Chu pointed out that China has already demonstrated an impressive ability to meet ambitious targets for reducing the energy used per unit of GDP, and hoped the country would be equally committed to reaching carbon-intensity targets as well. He cited China's interest in renewable energy and increasing political attention to this area as positive developments. Speaking to Minister Wan (Ministry of Science and Technology), Secretary Chu said that the Clean Energy Research Center (CERC) will enable the United States and China to work together to co-develop, co-own and deploy new technologies that can help solve the world's energy/environment problem.

¶6. (SBU) U.S. Trade Representative Kirk drew attention to an earlier conversation between Presidents Obama and Hu about the challenge China faces with integrating 600 million rural residents into urban areas. Ambassador Kirk said that the financial crisis had demonstrated to Presidents Obama and Hu that our two countries' economies are intertwined and required rebalancing. He stated that President Obama had made clear that the United States has nothing to fear from an expanding China, and that likewise, China should not fear as the United States seeks to address its trade imbalance. Ambassador Kirk noted that the Chinese are competitive in manufacturing, stating that this fits well with U.S. strength in innovation, technology and technical expertise. He said it is

important to maintain openness in this context, allowing each partner to benefit from the expertise of the other.

¶7. (SBU) Ambassador Kirk praised the very successful round of JCCT talks (Joint Commission for Commerce and Trade), recently concluded in Hangzhou, and thanked the commitment of his Chinese counterparts for making that a priority. He expressed his hope to continue working together to solve remaining issues, including the Government

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Procurement Program.

¶8. (SBU) Trade Development Administration Director Leocadia Zak noted that the private sector is an important partner in addressing the policy issues that were raised during this meeting, and held up the Energy Cooperation Program (ECP) as an important example of public-private partnerships to address common concerns. She noted the program's early progress, reporting that despite its very recent start, the ECP had already recruited 23 corporate members. In coordination with the National Development and Reform Commission, National Energy Administration and Vice Minister Ma XiuHong from the Ministry of Commerce, the ECP has defined two initial-phase activities: a low-carbon leadership program and a technology exchange.

LI PRAISES COOPERATION, CALLS FOR MORE

¶9. (SBU) Vice Premier Li agreed with Commerce Secretary Locke that the cooperation between the United States and China did extend back many years, referencing their joint fight against aggression during World War II. Today, the process of globalization is generating new opportunities for collaboration, particularly in the area of trade. Vice Premier Li explained that China responded to the global financial crisis by seeking to increase consumer demand and improve China's health care system. He mentioned that efforts were already underway to boost domestic consumption and build a social safety net, explaining that the challenge was to transform economic development and generate balanced growth.

¶10. (SBU) Countries must stand against trade and investment restrictions, said the Vice Premier, noting that China is Asia's largest market for foreign imports. He welcomed inflows of competitive U.S. products, especially in the area of advanced technology, which he noted also included medical products. The Vice Premier further agreed that climate change and clean energy were important areas of collaboration, and pointed to the three government-to-government signings immediately following this meeting as evidence of the broad scope for cooperation. He explained that solving the energy and environment problems were not just part of China's international responsibilities as a large country, but also essential for its internal commitments to its people as well.

¶11. (SBU) Vice Premier Li noted that given its large population and rapid growth, sustainable development is a necessary policy goal for China, and he singled out energy as the most important bottle neck. He noted that China has the largest energy generation capacity in the world and the largest new capacity under construction in the world. Vice Premier Li highlighted the importance of energy efficiency in ensuring sustainable growth, and noted that China is deploying U.S. technology, including Westinghouse's AP1000, in this effort. He expressed a desire for more forward looking research projects in the area of renewable energy technologies, including

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fuel-cell electric cars, and CO2 capture/sequestration procedures.

¶12. (SBU) Vice Premier Li said that the foundation of cooperation on energy and trade issues involved working closely with "enterprises" (companies), and said that the inherent vitality of Chinese enterprises will be unleashed in this effort. He thought that cooperation between the private sector in the United States and China would be important, and described the role of government as facilitating an enabling environment for cooperation between private sector players.

¶13. (SBU) Vice Premier Li noted that the context created by the international financial crisis and world recovery underscored a need for sustained and balanced growth. This round of meetings was helpful in creating a better mutual understanding, and an important opportunity to clear up differences. The actions outlined in the signings provided follow through on the commitments made by Presidents Obama and Hu.

¶14. (SBU) Secretary Locke expressed appreciation for the opportunity to work together with his Chinese counterparts, exchanging technology and expertise, to solve common problems. He explained that it was our moral responsibility to address environmental issues, and hoped that 100 years from now the history books would say the United States and China worked together to solve climate change.

¶15. (SBU) Vice Premier Li concluded by saying that the United States and China are the world's largest developed and developing country respectively, and have a shared interest in addressing this issue. He explained that globalization provides a new opening to work together, but hoped the history books would comment how all countries in the world had worked together to solve the environmental problem.

SIGNINGS

¶16. (U) Presided over by Vice Premier Li, and witnessed or signed by Secretary Locke, Secretary Chu, Director Zak, and DOE Assistant Secretary David Sandalow, eight signings occurred at the conclusion of the bilateral meeting.

(U) Secretary Locke, Secretary Chu, and Director Zak signed an MOU on the U.S.-China Energy Cooperation Program, which establishes the operating framework of this public-private partnership that TDA and MOFCOM agreed to establish during the JCCT to develop clean energy projects in China, and which now includes 23 founding U.S. companies.

(U) Assistant Secretary Sandalow signed, with Vice Administrator of NEA Liu Qi, a Memorandum of Cooperation establishing a Renewable Energy Partnership.

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(U) Ambassador Jon Huntsman (in absentia, but signed previously) signed with Liu Qi an agreement pledging cooperation on shale gas development. This document is an Annex to the MOU to Enhance Cooperation on Climate Change, Energy, and the Environment signed during the SNED in July.

(U) Director Zak signed an MOU on Support of an Integrated Gas Combined Cycle (IGCC) Feasibility Study with CEPCC (a Chinese power engineering firm). Each plant is estimated to be worth over \$100 million in U.S. exports.

(U) GE Energy and Shenhua Group signed an MOU on Cleaner Coal cooperation that will establish a framework for the formation of a joint venture company between GE Energy and Shenhua Group to advance "cleaner coal" technology solutions.

(U) Peabody and Huaneng Group signed a contract finalizing investment obligations in the GreenGen IGCC-CCS plant that will sequester major volumes of carbon dioxide beginning in about five years.

(U) AES Corp. and a Chongqing-based energy company signed a Joint Venture contract to commercially utilize coalbed methane from mines in Sichuan, abating some 4 million tons of CO2-equivalent emissions annually.

(U) First Solar Corp. and the Ordos (Inner Mongolia) city Mayor signed a Cooperation Framework Agreement governing First Solar's investments, and Ordos' obligations to facilitate, what may become the world's largest solar power farm near Ordos.

(U) Vice Premier Li and the U.S. VIPs also recognized the recent signing of the Tsinghua University-Massachusetts Institute of Technology-Cambridge University Low Carbon Energy Alliance as a major contribution by academia to the acceleration of clean energy technology development and deployment and a lower-carbon world.

¶17. (U) The U.S. delegation consisted of:

Gary Locke, Secretary of Commerce
Steven Chu, Secretary of Energy
Ambassador Ron Kirk, U.S. Trade Representative
Leocadia Zak, Director, Trade Development Administration
Ambassador Demetrios Marantis, Deputy U.S. Trade Representative
David Sandalow, Assistant Secretary, Department of Energy
Ellen Moran, Chief of Staff, Department of Commerce
Rod O'Connor, Chief of Staff, Department of Energy
Julianne Smoot, Chief of Staff, U.S. Trade Representative
William Zarit, Commercial Minister-Counselor, U.S. Embassy Beijing
Marty Schoenbauer, Energy Attach, U.S. Embassy Beijing
Landon Loomis, Second Secretary, U.S. Embassy Beijing

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¶18. (U) The Chinese delegation consisted of:

Li Keqiang, Vice Premier of the State Council
Wan Gang, Minister of Science and Technology
Ning Jizhe, Vice Minister of Research Office of the State Council
Zhang Xiaoqiang, Vice Chairman National Development & Reform Commission
He Yafei, Vice Minister of Ministry of Foreign Affairs
Ma XiuHong, Vice Minister of Commerce
Liu Qi, Deputy Head of National Energy Administration

HUNTSMAN